

Mutual Accumulating Fund

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April 21st, 1977.

TO THE SHAREHOLDERS:

The performance of your Fund during the past quarter and for the twelve month period has been as follows:

	Market Value	<u>Percentage Change Since:</u>	
	<u>March 31, 1977</u>	<u>Dec. 31, 1976</u>	<u>March 31, 1976</u>
MUTUAL ACCUMULATING FUND			
Net Asset Value Per Share	\$ 5.36	+ 0.4%*	+ 2.1%*
Toronto Stock Exchange			
Industrial Index	1022.11	+ 1.0%	- 3.0%

* The income distribution of 20.1920¢ per share to shareholders of record January 19, 1977 related to the year 1976 and has therefore been deducted from the December 31, 1976 and March 31, 1976 net asset values in determining these calculations.

The net asset value of MUTUAL INCOME FUND as at March 31, 1977 was \$4.48 per share. A distribution of 5.54¢ per share was declared payable April 21, 1977 to shareholders of record March 31, 1977.

The past three months saw the reappearance of divergent trends in the North American stock markets, but for the first time in many months the Canadian stock market outperformed its U.S. counterpart. This phenomenon, usually observed in the later stages of a long advance in equity prices, was related not only to the expected superior performance of commodities such as copper, zinc, etc., in an evolving economic recovery, but also due to the devaluation of the Canadian dollar against year-earlier levels. The result of these expectations was a Toronto Stock Exchange 300 Index very slightly ahead at quarter end, in contrast to the 7% decline in the Dow Jones Industrial Average.

The realities of the two situations were somewhat different from the perceptions of investors. While the economic measures taken so far by the Carter administration do not appear to be radical (indeed their lack of support for some key labour-backed measures could be construed as the actions of a conservative administration), investors are focusing on the budget deficits and their longer term inflationary implications, with these concerns tilting equity markets to the downside. In Canada, the perception of better times ahead for key industries is belied by sluggishness in commodity prices (declines in nickel and copper), a rate of inflation which increased to 7.4% year-to-year, and a continued curb on margins from the still-existing AIB. Accordingly the contrary directions of the two markets are not easily rationalized, although the relative superior performance of the U.S. market had continued for a long time.

In the resource area, the most interesting event was the weather at the beginning of the quarter. There is considerable evidence that the unprecedented severity of the weather in January and February is finally producing action on the part of the U.S. and Canadian governments, the former through expected comprehensive energy conservation measures to be announced April 20, and the latter through many small moves, the sum of which appears to be producing an impetus for the Arctic Gas Pipeline. This latter project would perform the triple function of providing jobs, shoring up the faltering Canadian dollar, and contributing to a favourable climate for an early 1978 federal election.

It could also be expected that the federal election will be preceded by a fall budget containing more vote-getting devices than the essentially stand-pat document produced on March 31. Although this budget contained measures specifically helpful to business such as the limited recognition of inflation in inventory accounting and assistance to individual investors through the medium of increased dividend tax credits, it was not of a broadly stimulative nature, and accordingly was greeted with limited enthusiasm in the marketplace.

Over the past quarter, we made reductions in a large number of industry groups, some realignments within others which resulted in additions to cash, and some modest additional purchases in gold, utilities, and transportation, the latter a new area of interest. On balance these transactions produced a rather significant change in the cash position, virtually doubling it from the December 31 level to more than 15%. This reflected our view expressed above that the relative strength displayed in the Canadian stock market vis-a-vis the U.S. was related to the decline in the Canadian dollar, and once equilibrium had been reached, the markets would again move in concert.

We enclose with this report a copy of your Fund's audited financial statements for the year ended December 31, 1976.

On behalf of the Board
Yours sincerely,

J. F. Cole,
C. R. Major,
N. J. Short,
H. E. Thompson.

MUTUAL ACCUMULATING FUND

STATEMENT OF INVESTMENTS
AT MARCH 31, 1977

<u>Par Value or Shares Held</u>	<u>Security</u>	<u>Market Price</u>	<u>Market Value Canadian \$</u>	<u>% of Assets</u>
	Cash and Short Term Notes		\$ <u>3,456,632</u>	15.5%
	<u>Communications:</u>			
25,750	Canadian Cablesystems	\$ 13.25	\$ 341,188	
21,300	Southam Press "A"	21.00	<u>447,300</u>	
			\$ <u>788,488</u>	3.5%
	<u>Consumer Products:</u>			
10,000	Canada Packers "C"	\$ 18.25	\$ 182,500	
26,625	Imasco Ltd. "A"	26.75	712,219	
6,700	Seagram Ltd.	23.75	<u>159,125</u>	
			\$ <u>1,053,844</u>	4.7%
	<u>Financial Services:</u>			
60,900	Bank of Nova Scotia	\$ 19.625	\$ 1,195,163	
24,400	Bank of Montreal	14.50	353,800	
\$400,000	BM-RT Ltd.	100.00	400,000	
17,700	Cdn. Imperial Bank of Commerce	23.625	418,163	
39,220	Royal Trust "A"	17.00	<u>666,740</u>	
			\$ <u>3,033,866</u>	13.6%
	<u>Golds:</u>			
7,500	Dome Mines	\$ 51.50	\$ 386,250	
23,200	Kerr Addison "A"	15.125	<u>350,900</u>	
			\$ <u>737,150</u>	3.3%
	<u>Industrial Products:</u>			
13,100	Atco Industries "A"	\$ 15.75	\$ 206,325	
10,600	Northern Telecom	32.625	345,825	
8,900	Steel Company "A"	26.25	<u>233,625</u>	
			\$ <u>785,775</u>	3.5%
	<u>Merchandising:</u>			
7,200	Dylex Diversified Pfd. "A"	\$ 7.50	\$ 54,000	
32,600	Hudson's Bay Company	15.75	<u>513,450</u>	
			\$ <u>567,450</u>	2.5%

<u>Par Value or Shares Held</u>	<u>Security</u>	<u>Market Price</u>	<u>Market Value Canadian \$</u>	<u>% of Assets</u>
<u>Metals & Minerals:</u>				
26,100	Alcan Aluminium	\$ 27.875	\$ 727,538	
16,400	Cominco Ltd.	37.875	621,150	
8,000	Denison Mines	52.00	416,000	
6,400	Falconbridge Copper	6.375	40,800	
45,400	Inco Ltd. "A"	33.00	1,498,200	
27,000	Sherritt Gordon "A"	5.875	158,625	
			<u>\$ 3,462,313</u>	15.5%
<u>Oil & Gas:</u>				
6,400	BP Canada Ltd.	\$ 11.00	\$ 70,400	
29,900	Pacific Petroleum	27.50	822,250	
44,400	Shell Canada	14.625	649,350	
20,500	Siebens Oil & Gas	13.625	279,313	
			<u>\$ 1,821,313</u>	8.1%
<u>Paper & Forest Products:</u>				
27,000	B.C. Forest Products	\$ 25.50	\$ 688,500	3.1%
<u>Pipelines:</u>				
13,000	Alberta Gas Trunkline "A"	\$ 13.25	\$ 172,250	
\$298,000	Alberta Gas Trunkline 7.50% 01/02/90	134.633	401,206	
73,500	Trans Canada Pipelines	14.125	1,038,188	
			<u>\$ 1,611,644</u>	7.2%
<u>Real Estate & Construction:</u>				
19,350	Nu-West Development "A"	\$ 11.75	\$ 227,363	1.0%
<u>Transportation:</u>				
2,200	Canadian Pacific Ltd.	\$ 17.125	\$ 37,675	0.2%
<u>Utilities:</u>				
21,200	Bell Canada	\$ 49.25	\$ 1,044,100	
27,100	Calgary Power "A"	32.50	880,750	
			<u>\$ 1,924,850</u>	8.6%
<u>Foreign:</u>				
376,173	Guardian World Equity Fund	\$ 5.79	\$ 2,178,042	9.7%
<u>TOTAL NET ASSETS:</u>			<u>\$22,374,905</u>	<u>100.0%</u>
<u>SHARES OUTSTANDING:</u>			<u>4,177,088</u>	
<u>NET ASSET VALUE PER SHARE:</u>			<u>\$ 5.36</u>	